



Budget Work Session I

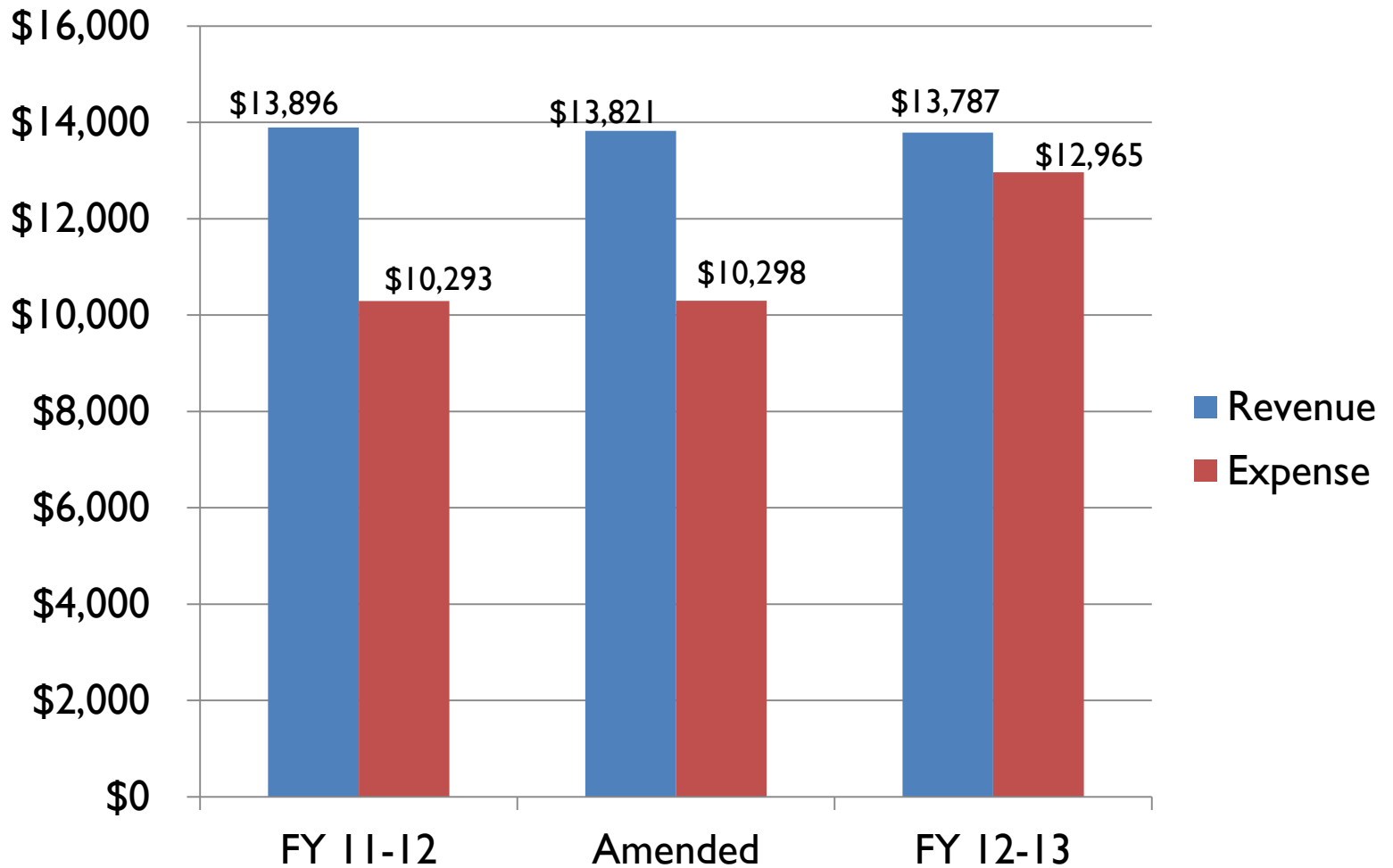
Fiscal Year 2012-13

February 13, 2012

Agenda

- Civil Defense
- Lynn Boulevard
- McFalls Landfill
- Police Pension
- General Fund
- Solid Waste

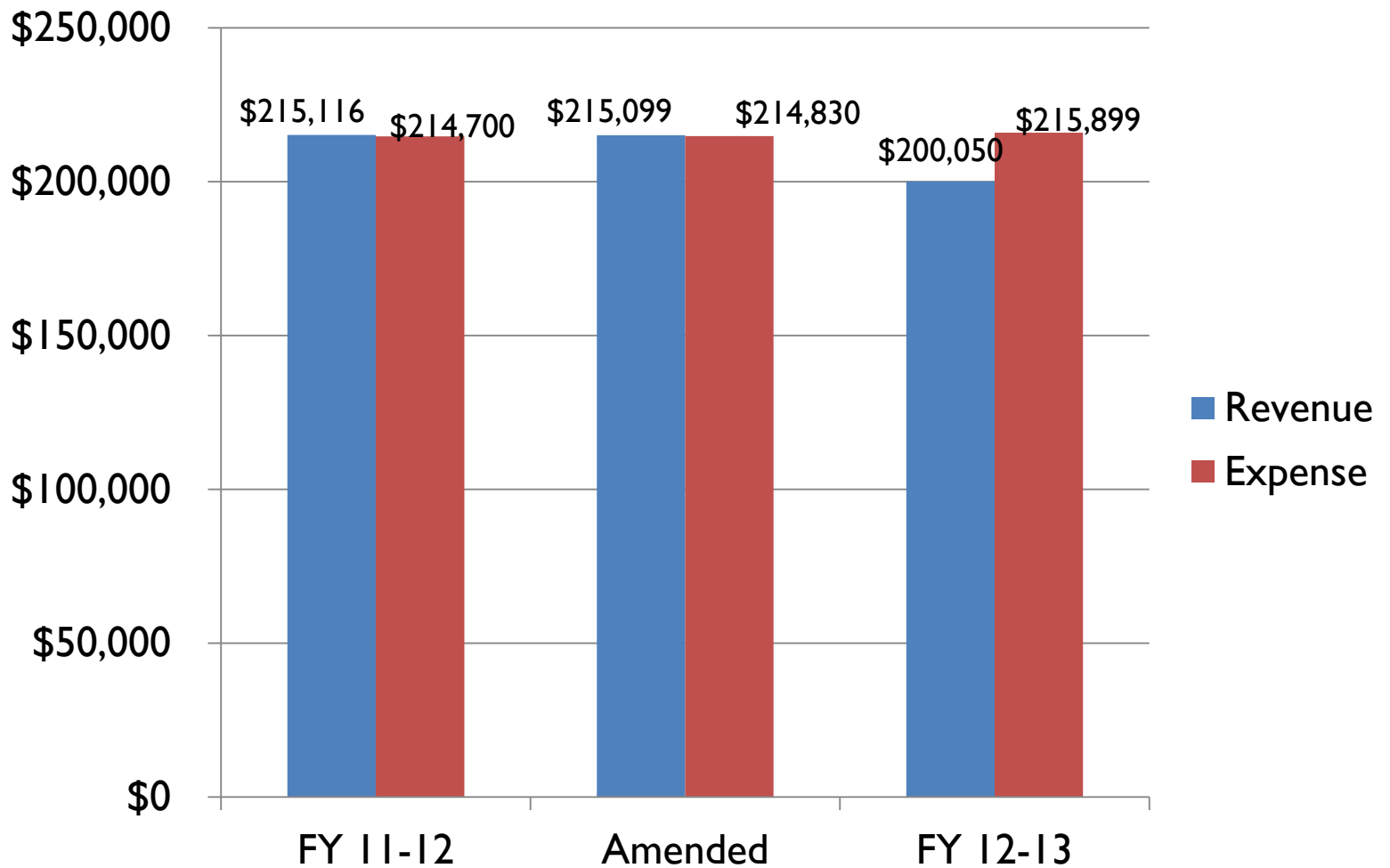
Civil Defense



Civil Defense

- Separate levy used primarily for emergency alert systems & equipment
- Also receives State Replacement Tax
 - Amended budget on target
 - FY 2012-13 Budget includes emergency warning siren upgrades for narrow-banding requirements

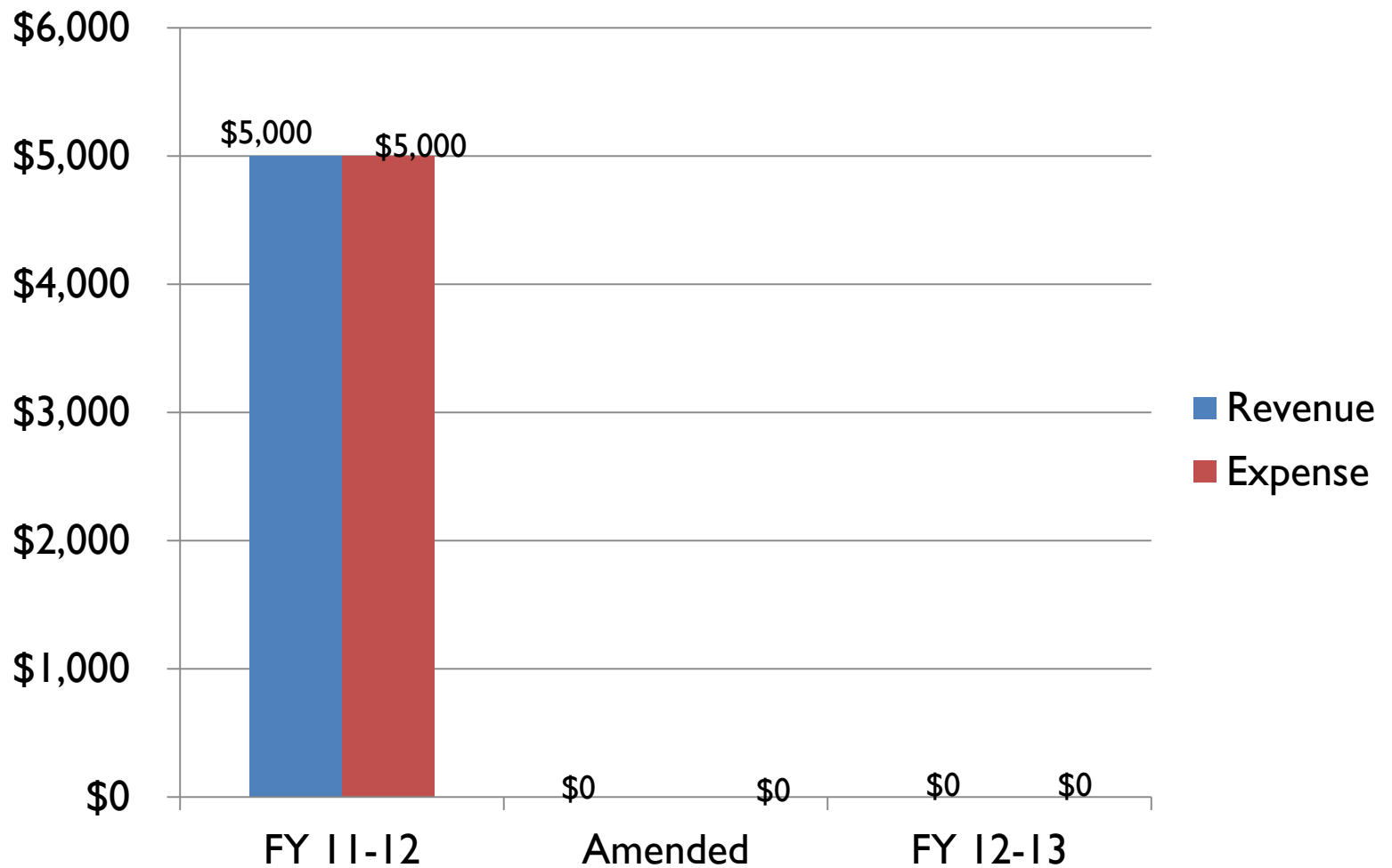
Lynn Boulevard



Lynn Boulevard

- Construction Bond refinanced in June 2010 at lower interest rate.
- Bond paid off May 1, 2015
- Revenues derived from Local Option Sales Tax
- Expenses used solely for bond payments
- Lowered revenue contributions as the fund has a balance of \$50,000

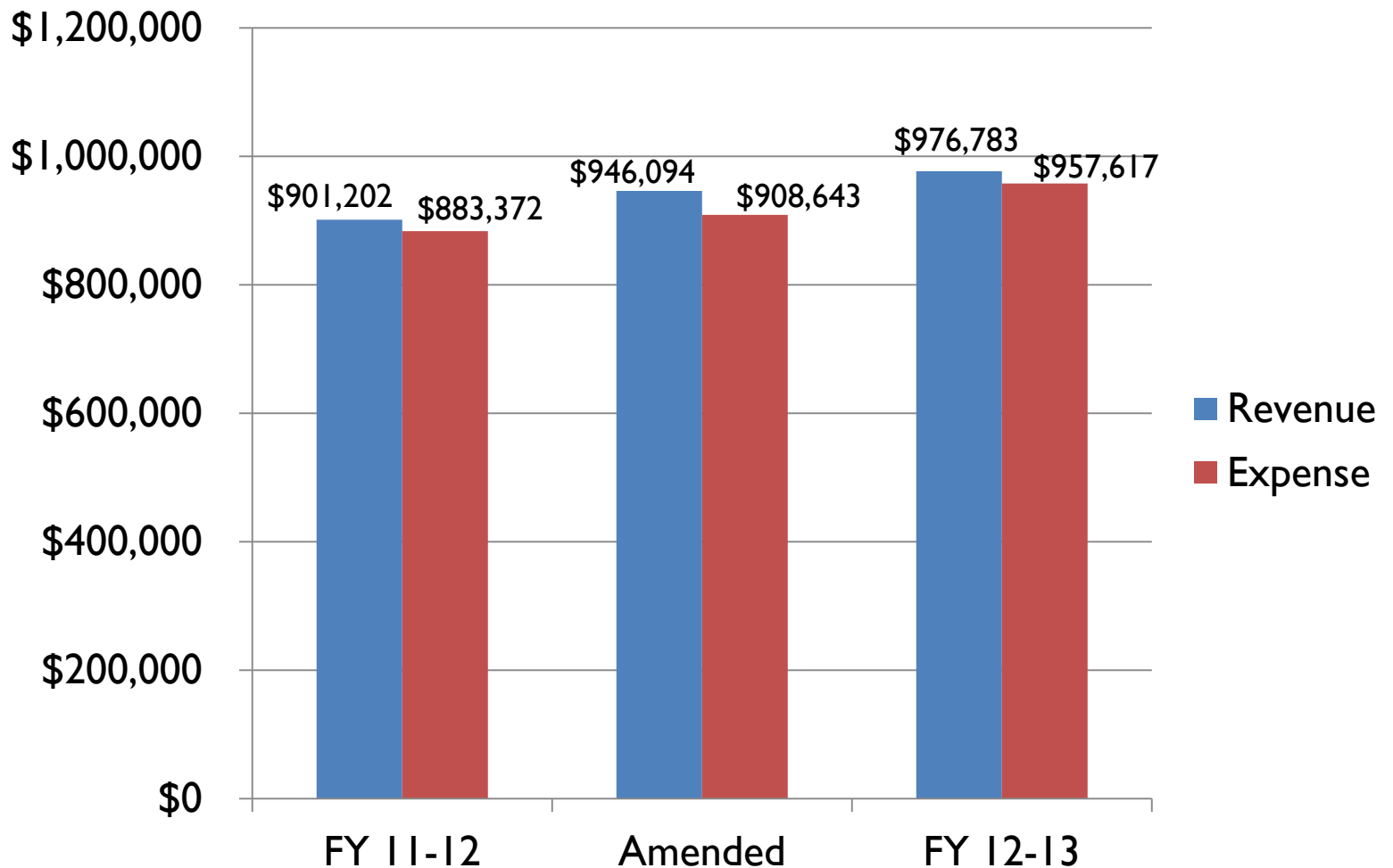
McFalls



McFalls

- Fund used for landfill cleanup
- Revenues come from third party legal settlements
- Expenses this past year used for fencing to protect the site from reuse.

Police Pension Fund



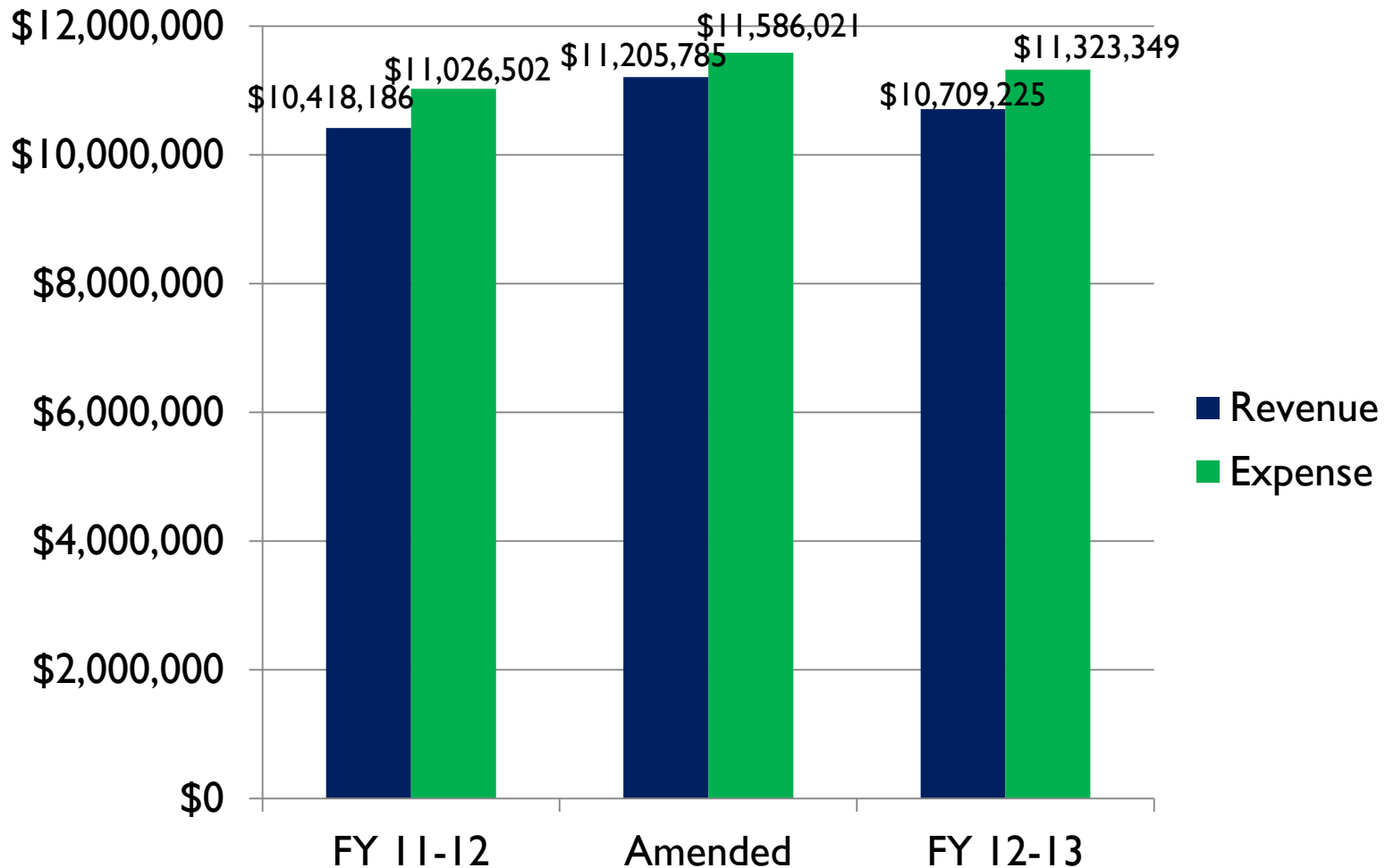
Police Pension

- Property Tax increased to:
 - FY 2010 - \$299,970
 - FY 2011 - \$406,431
 - FY 2012 - \$455,203
 - FY 2013 - \$475,884
 - Due to significant 2008 market losses
 - Reduced rate of return assumption
 - Little potential to level off
- Actuary recommended contribution of **29.9% of payroll** or **\$497,884**
- Reduced rate of return to 7.25% (was 7.75%)
 - Current RoR – 9.72%
 - 1988-2011, RoR averaged – 6.6%
 - 2001-2011, RoR averaged – 4.82%
- Funding Ratio – 71.5% (EANC) or 76.5% (PUC)*
 - *Early Age Normal Cost method vs. Projected Unit Credit

General Fund

- General Fund
 - 1 of 24 Funds
 - Approximately half of City's expenditures
 - Largest Fund
 - Administration/Finance
 - Clerk
 - Code Enforcement
 - Fire
 - Police
 - Public Works

General Fund



Bottom Line Overview

- Projected a deficit for FY 11-12 of \$608,316
 - Nearly 2/3 of deficit was for capital expenses
 - Approximately \$217,000 was considered operational (structural) deficit
- Revised (Amended) FY 11-12 deficit “only” \$380,236
 - Sales Tax Revenues beat projections by 3.5%
 - Income Tax revenues declined, but not as much as originally budgeted
 - Original projection – (\$67,000). Actual – (\$50,000)
 - Yes, while the State collects more, we collect less....
 - Building permits did not decline as anticipated
 - Skewed by State funds for W. 3rd Street work (\$350,000)

Bottom Line Overview (cont'd)

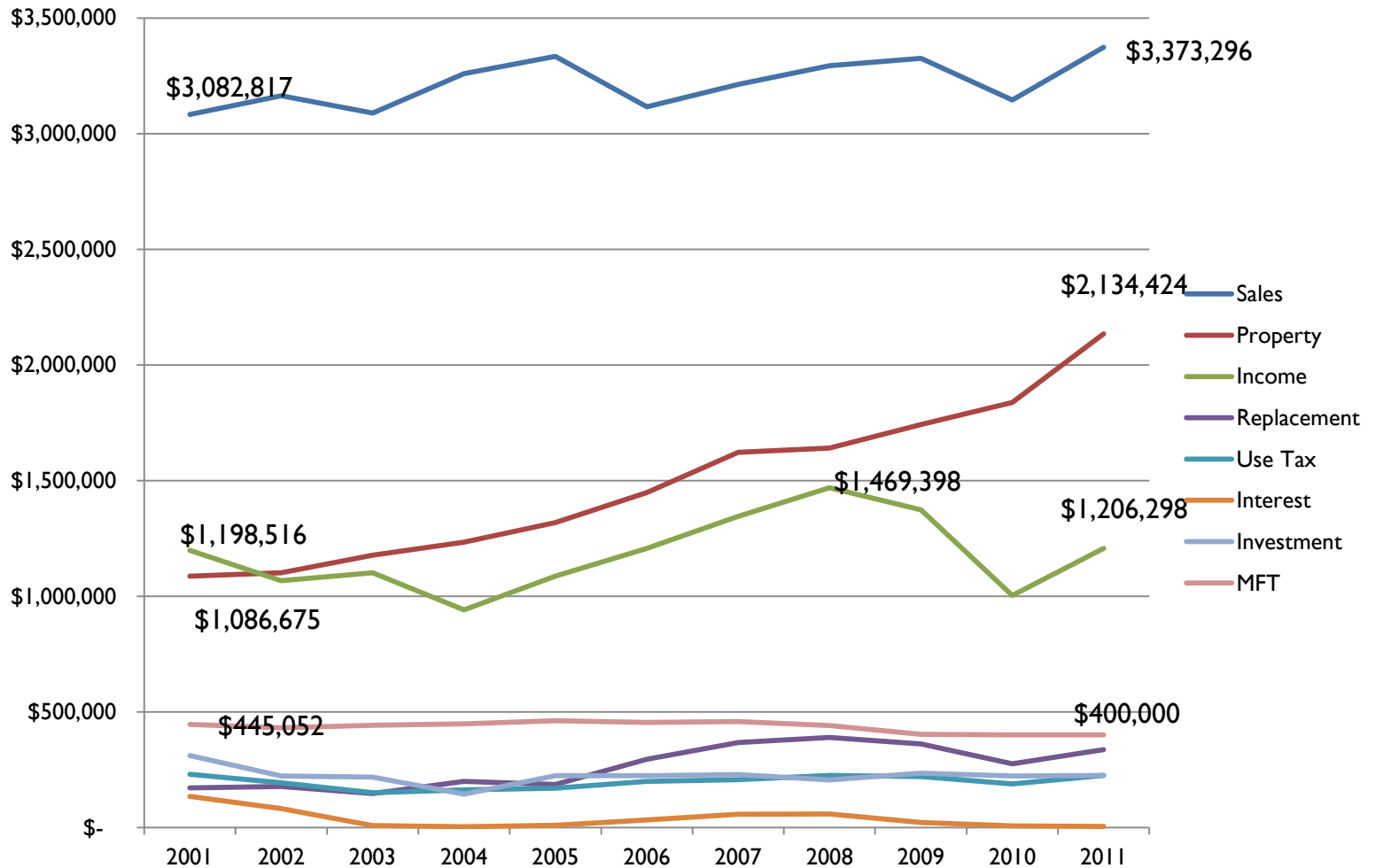
- FY 12-13
 - Similar deficit in first draft FY 12-13
 - \$614,124 vs. \$608,316
 - Worse if not for unforecasted sales tax growth
 - Much of the deficit can be attributed to capital costs
 - Additional funds for Coliseum
 - Replacement of the downtown snow blower
 - Finish the Public Works building
 - Council *could* zero out equipment & capital to balance budget
 - Not a long-term solution
 - Critical equipment needed or taking large risks
 - Still an operational deficit dictated by personnel costs which are dictated by union contract costs

General Fund Revenues

- Revenue changes

- Overall, revenues are projected to increase 2.8% from FY 11-12 Budget (\$291,039)
 - Property Tax +\$26,000
 - Sales Tax +\$154,000 (though some increases reserved for redevelopment agreements)
 - Local Option Sales Tax +\$105,000
 - Franchise Fees +\$79,000
 - Building Permits - \$28,000
 - State Income Tax +\$28,000
 - State Replacement Tax - (\$35,000)
 - Donations – (\$70,000)
 - Loan Proceeds +\$135,000

10 Year Revenue Trends



Identifying Specific Challenges

- Expense changes
 - Health Insurance
 - Projected to increase 4% in next budget
 - Union Contracts
 - Police contract unsigned
 - Fire contract ended April 30th
 - Mediation February 14th
 - Other Employees
 - 1.75% increase, remove 1 furlough day
 - Fuel Costs – How high this year?

Organizational Changes

- Personnel costs are approximately 70% of our General Fund budget
 - Few substantive ways to reduce long-term costs without affecting personnel
 - Combine/Merge Services or Positions (Regionalism with other cities and the County)
 - Joint Dispatch
 - Combined Fire/EMS
 - Inspections
 - Physical layout is being addressed (somewhat undone by taking utility billing back on)
 - Less services –
 - No one wants public safety cut back, but we still get complaints on the lack of code enforcement, pothole patching, streets, flooding, snow removal and economic development
 - Where do people want cuts made?
 - Outsourcing - Need competition in area to outsource competitively. Not enough in area

Budget Measures Undertaken This Year

- Ongoing fire contract negotiations
- Police contract settled at
- Unpaid furlough days
- Joint Dispatch Study report complete
- Regional Fire/EMS Consolidation Study (underway)
- Fire Chief sharing agreement extended with Rock Falls
- Fire Captain position currently vacant
- Delayed hiring of police vacancies
- Reduced merit increases



GENERAL FUND WALK THROUGH

General Fund Expenses

- Non-Departmental
 - Health Insurance – 4% increase
 - General Liability – steady
 - Miscellaneous Charges
 - See footnotes
 - Interfund Operating
 - See footnotes
 - Capital Projects
 - Funding not committed, so expense reduced

General Fund Expenses

- Plan Commission
 - No significant change.
 - Plan to update zoning code
- Fire-Police Commission
 - No significant change
 - Request up due to testing – Fire lists have expired
- Mayor & Council
 - No significant changes

General Fund Expenses

- City Clerk
 - Slight decrease in FY 12-13 salaries due to more of assistant's role in utility billing
 - Increase to “other contractual” for new postage machine
- Administrative Services
 - Keeps current staffing
 - Amended under budget
 - Total increase of 1.9%
 - Bonds
 - Staff Travel/Training (reflects added ICMA traveler, GFOA)

General Fund Expenses

- Fire Admin
 - Amended Salaries under due to retirement and no backfill of position to date. Also no Chief hired due to agreement extension with Rock Falls
 - Requested Salaries includes a replacement and retiree health insurance
 - Other Professional Services line item is used to compensate the City of Rock Falls for the agreement to use Gary Cook as Sterling Fire Chief. Amended over budget due to renewal which was uncertain at time of the budget adoption

General Fund Expenses

- Fire Services

- Amended Salaries – Over budget as firefighter was recalled to duty when the Administrative Captain retired
- Requested salaries lower than Amended, anticipating a promotion to captain to be split between Fire Admin and Fire Investigation
- FY 12-13 Salaries (mediation)
 - FF received 3% April 30, 2011
 - Budgeted 2% increase as of May 1, 2012 anticipating mediation or arbitration to settle contract
- Principal & Interest
 - Budgeted 70,900 for SCBA's
 - Costs of full switch out was \$109,639, so purchase was financed over 2 years
- Capital
 - SCBA purchase opportunity in FY 11-12
 - FY 12-13, capital request includes
 - \$20,000 for new generator at substation (out of service and original to building)
 - New station radio to meet federal bandwidth spectrum requirements

General Fund Expenses

- Fire Prevention
 - Amended Salaries lower due to retirement
 - FY 12-13 Salary increased to reflect promotion to fill vacated position
- Police Admin
 - No significant changes
- Police Services
 - Amended Salaries lower due to turnover, delayed hiring
 - FY 12-13 reflects hiring staff and contractual increases
 - Lower cost options available
 - FY 12-13 equipment increased to reflect purchase of new in-car camera system in addition to normal squad purchases

General Fund Expenses

- Police Investigative
 - FY 12-13 budget increase for detective vehicle
- Police Support
 - FY 12-13 Decrease resulting from 1 FT retiree and hire of a part time employee
- Police Grants
 - Grant expenses correlate to available grant revenues

General Fund Expenses

- Public Works Admin
 - FY 12-13 increased slightly to add part-time office assistance at PW
 - Phones & assistance previously provided by Mayor/Manager secretary who will have new utility duties
- Public Works Street Maintenance
 - Amended salaries under budget due to resignation
 - FY 12-13 budget increases
 - More local option sales tax = more road projects
 - Equipment - See footnotes
 - Snowblower
 - Backhoe
 - Building Project

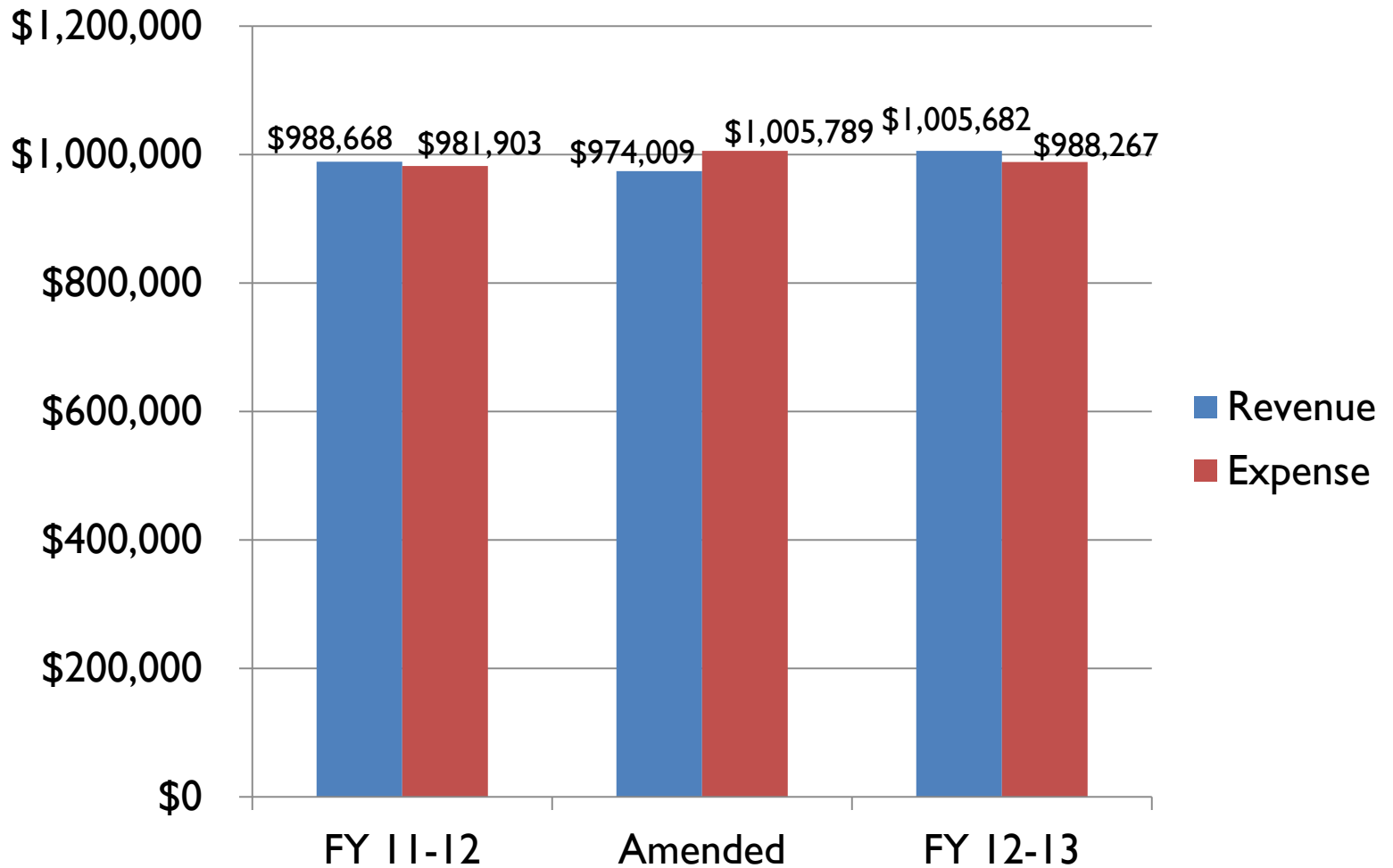
General Fund Expenses

- Public Works Traffic
 - Paint Machine for FY 12-13
- Public Works Park Maintenance
 - Mowing Equipment for FY 12-13
- Code Enforcement
 - Amended Salary under budget due to retirement of code officer
 - Amended Eqpt up for Vehicle (ends a vehicle allowance)
 - FY 12-13 Salary also decreased due to retirement
 - Emergency Code Enforcement budget increased for demo costs.

General Fund Expenses

- Public Works Stormwater
 - FY 11-12 Budget includes using reserves to build Regional Detention facility at 6th Ave and Lynn Boulevard. Project to be let in March
 - FY 12-13 placeholder
 - Over \$15million in projects identified by consulting engineers, including:
 - Sanborn Drainage
 - Northland Detention
 - Miller Road Drainage
 - Duis Detention
 - Scheid Park Area Storm Sewer and Detention

Solid Waste



Solid Waste

- Solid Waste
 - Amended expenses more than budgeted due to utility billing software
 - IAWC no longer billing on our behalf
 - City must bill (software, manpower, postage, etc)
 - Autowithdrawal, Credit Card
 - FY 2012-13 Budget is projecting an increase
 - Previous rate 13.85, now 14.80
 - Pay for software, billing personnel, postage, etc.
 - 6% delinquency rate
 - Low fund balance, below policy

Parting Notes

- Fewer unknowns this Fiscal Year
- More clear cut choices
- Capital funding vs. cuts and delays
- Borrow time on eqpt vs. risk
- Other changes requested?
- Few operational cuts to be made
 - Will review with fine tooth comb
 - May find \$10,000-\$20,000
- What is palatable???

Options

- Dedicate a capital fund
 - Separate out operational budget from Capital Budget
 - Utilize both capital reserves and ongoing funding for projects
- Borrow funds to spread capital costs over time
- Cut Projects/Equipment
 - Some more optional than others
 - Weigh cost of projects vs. lost opportunity (ie riverfront)
- Delay hiring of police officers (4 options)
- Stormwater Utility